



INTERNAL AUDIT CONTROLS EVALUATION PARKS AND RECREATION

August 5, 2002

Roanoke City Council Audit Committee
Roanoke, Virginia

We have completed our audit of Parks and Recreation Part-time Payroll. Our audit was performed in accordance with generally accepted government auditing standards.

BACKGROUND

Parks and Recreation relies on part-time employees to staff many programs including swimming pool operations, athletic classes and other recreation related activities. Part-time employees work at various Parks and Recreation facilities, including nine recreation centers, four fitness centers, three pools, 13 gyms, and 27 athletic fields. Most of the year, approximately 70 part-time employees are used, while in the summer, that number doubles to accommodate pool openings and increased summer programming. Last year, approximately \$479,000 was spent on part-time employee payroll.

Part-time staff typically work at one location, however some work at more than one facility. Staff that are assigned to provide general supervision and assistance are paid by the hour, but some, such as course instructors are generally paid by activity. The majority of part-time employees earn between \$8 and \$10 an hour, while instructor pay varies according to complexity of the material being presented and amount of people expected to attend.

Supervisors at each location are responsible for staffing recreation centers and programs with adequate staff. In the past, supervisors prepared schedules and employees completed time sheets to track their time worked. Recently, the schedule and timesheet have been incorporated into one document. Supervisors fill out the schedule on a separate sheet for each employee. The employee then simply records their actual hours and notes any variance from their scheduled hours on the sheet prepared by their supervisor. Any changes made on the timesheet/schedule are required to be accompanied by the initials of the person making the change.

Weekly, both the employee and supervisor must sign the time sheet and then it is submitted to the Administrative Secretary for data entry. Once the data is entered, a report is run and supervisors go through a review process with each timesheet to ensure accurate data entry.

PURPOSE

The purpose of this audit was to evaluate the system of internal controls over managing and processing part-time payroll in the Parks and Recreation department.

SCOPE

Our audit evaluated controls in place as of March 1, 2002. Our test work primarily focused on transactions occurring from July 1, 2001 to April 1, 2002.

METHODOLOGY

We gained an understanding of internal controls relating to part-time payroll by reviewing available documentation and interviewing Parks and Recreation personnel. We documented our understanding by developing process outlines and process narratives. Based on this understanding, we identified controls and the risks involved with part-time employee payroll. We evaluated the efficiency and effectiveness of the controls over the risks. As a result of our evaluation, we developed a test program that includes controls and substantive test work.

RESULTS

We reviewed the system of internal controls related to part-time payroll and had no significant suggestions for improvement. Our test work focused on three areas:

1. Validating part-time employees on the payroll were properly processed by the Human Resources department before beginning work.
2. Verifying recreation classes for which an instructor was paid were held and had satisfactory enrollment to justify expenses.
3. Reviewing time sheets to determine if they were properly completed, approved, and entered into the payroll system.

We reviewed 25 new hires and found all were properly processed through the Human Resources department prior to beginning work at Parks and Recreation. We selected a sample of 10 recreation classes and found all were conducted and had attendance that exceeded the minimum requirements. Our review of time sheets found that time worked is accurately recorded and paid. We did have one notable issue as follows:

Finding 01 – Incomplete Time Sheets

We selected 64 employee time sheets to review and verify if each employee was paid according to a completed and approved time sheet. We found that all 64 employees were paid according to the approved time sheets. However, in seven (7) cases the time recorded as worked differed from that originally budgeted and was not adequately explained on the time sheet.

Recommendation 01- Incomplete Time Sheets

We recommend that supervisors obtain proper explanations from employees for variances from budgeted time before approving the time sheets.

Management Response 01 – Incomplete Time Sheets

Section Three of the Part-time Payroll Manual (Time Sheets) assigns the responsibility for properly completing the time sheet to the part-time employee and the responsibility for review to the employee's supervisor. This accountability needs to be re-emphasized and continued problems will be reflected on future evaluations. Supervisors will be reminded that they are not to approve time sheets with inadequate or missing variance explanations. Supervisors, in turn, will remind part-time employees that time sheets with inadequate or missing variance explanations will not be entered until the deficiency is corrected, even if it means delaying processing until the next pay period. To give the supervisors some guidance, the Business Coordinator will review time sheets for two pay periods and present a listing of inadequate explanations that he finds to the Recreation supervisors.

CONCLUSION

Based on the results of our audit work, we conclude that the design and operation of the system of internal controls over part-time payroll is satisfactory to provide reasonable assurance that part-time staffing is properly planned, managed, and paid.

We want to note that part-time payroll in the Parks and Recreation department has been an area with long standing audit concerns going back to the mid-nineties. We commend the employees, coordinators, and managers who have worked to strengthen controls and make the process more manageable and reliable.

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